

**Minutes of the meeting of the  
Commonwealth Competition Council  
held Tuesday, October 11, 2005, 10 a.m.  
General Assembly Building, Senate Room B  
Richmond**

**Members present:**

Senator Emmett W. Hanger, Jr., Chairman  
Beverly B. Davis  
Lana Ingram Digges  
Barry R. Green  
Edgardo Marquez, Vice-Chairman  
Delegate Thomas Davis Rust  
David A. Von Moll

**Members absent:**

Senator J. Brandon Bell, II  
Sandra D. Bowen  
Delegate Allen L. Louderback  
Roger E. Ortega, Sr.  
Marian M. Pegram  
Ronald V. Shickle  
Sara Redding Wilson  
David M. Zobel

Notice of the meeting appeared on the Commonwealth Calendar on the Internet. A quorum was not present.

Senator Hanger presided over the meeting and extended a welcome to all present. Darin A. Thompson, Research Assistant to Secretary Bowen, represented the Secretary who was unable to attend the meeting.

**Public Comment**

None

**Minutes**

The minutes of the August 24, 2005, meeting of the Council were not approved and will be placed on the agenda for the next meeting. No quorum was present and there was confusion over whether or not the minutes had been received by the Council members. Another copy will be sent.

In addition, draft minutes appear on the Internet as soon as possible but not later than ten working days following the meeting in accordance with § 2.2-3707.1 of the Code of Virginia. Final approved minutes are posted within three working days of final approval. Commonwealth Competition Council minutes are being posted in accordance with the above to the Council web page at <http://www.egovcompetition.com>

**Commercial Activities Inventory for State Government**

At the last meeting of the Council Mrs. Peggy Robertson, Acting Executive Director, briefed the members on the process being followed to comply with House Bill 1043 (2004) and House Bill 2844 (2005) relating to the Competitive Government Act and commercial activities inventory. At this meeting she highlighted the results of the completed report. As required by the legislation, the Secretary of Administration reported the inventory to the Governor and chairs of the House Appropriations and Senate Finance Committees, and filed it with the Division of Legislative Automated Systems. The document noted that all requirements of the Competitive Government Act have been met. The report is identified as Report Document 170 (2005) on the Legislative Information System on the Internet

(<http://leg2.state.va.us/dls/h&sdocs.nsf/Published+by+Year?OpenForm&StartKey=2006&ExpandView>) and scroll down to Report 170.

The report reflects the delivery of services by the Executive Department of state government for fiscal year 2005. The Commonwealth delivers its services in a variety of ways, including state employees (classified and wage), outsourcing, public-private partnerships, or a combination of these. The results of the inventory reflected expenditures in the following categories:

Salaried Employees (excluding fringe benefits)	\$ 3.7 billion
Wage Employees (excluding fringe benefits)	<u>\$ 0.626 million</u>
	\$ 4.326 billion
Contractual Services	<u>\$ 7.1 billion</u>
	\$11.426 billion*

\*includes the eight decentralized colleges and institutions

This report reflects the first report under the Competitive Government Act. In keeping with the requirements of the legislation, the Governor is required to identify three enterprise-wide commercial activities biennially for assessment, re-engineering and possible outsourcing. The three initiatives selected for 2005 are:

- fleet operations and maintenance
- seat of government mail operations and services, and
- real estate operations and services

The information presented in the report expands upon the 205 commercial activities identified in the 1999 inventory compiled by the Competition Council and includes all activities of the Executive Department of state government. The former commercial activity topics will now be identified as service areas, which conform to the naming structure for the state budget. This inventory identified over 650 services provided for Virginia's citizens by the Executive Department. After initially removing 143 services considered pass-through grants, there are 526 services remaining that contain some form of commercial activity. The Governor and General Assembly have authorized over 107,000 classified employees to provide these services. Recognizing that in many cases there is need to supplement this workforce, well over 33,000 individuals have been employed as wage employees during this reporting period. It was important to note, Mrs. Robertson said, that these wage numbers do not reflect those temporary hires by the following eight decentralized colleges and universities:

- 1 College of William and Mary including the VA Institute of Marine Science
- 2 Virginia Commonwealth University (Academic Campus and Health System Authority)
- 3 University of Virginia Academic Division and UVA's College at Wise
- 4 Virginia Polytechnic Institute and State University Instruction, Research & Extension Divisions, and Virginia Cooperative Extension and Agricultural Experiment Station
- 5 Virginia Military Institute
- 6 James Madison University
- 7 Old Dominion University and
- 8 George Mason University

While other reports do not include the above eight institutions, Reports 3 (salaried and wage employee data) capture the dollars expended by the agencies and institutions, including the decentralized entities.

The Executive Department data was presented in the following spreadsheets:

Report 1	Services Provided that include some form of commercial activity
Report 2	Pass-Through Grants and/or Inherently Governmental Services
Report 3	Salaried Employee Expenditures excluding fringe benefits Wage Expenditures excluding fringe benefits
Report 4	Employee Statistics showing salaried employees, wage employees with earning, and contractual services

Also provided was information on the Standard Occupational Classification (SOC) system used by all Federal statistical agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. The Department of Human Resource Management has standardized on these codes as well as role codes. The individual Virginia state government agencies and institutions enter the data into the Personnel Management Information System (PMIS).

Mrs. Robertson also reported on the extensive research that occurred in order to develop guidance for identifying inherently governmental functions. This included conversations both inside and outside of state government. There were only two references to this function within Virginia state government (the Agency Procurement and Surplus Property Manual published by the Department of General Services and the Privatization/Competition Manual published by the Competition Council). The federal government has the most extensive guiding policy on inherently governmental functions found during this research. That document establishes the federal executive branch policy relating to service contracting and inherently governmental functions. Its purpose is to assist executive branch officers and employees in avoiding an unacceptable transfer of official responsibility to government contracts.

The report provides guidance on how the executive department of Virginia interprets an inherently governmental activity as one that is so intimately related to the public interest, public well being, and public trust as to mandate its performance by the governmental entity, state employees, and their direct agents, with these activities being uninterrupted and continuous to alleviate risk and fulfill the Constitutional mandate. While the report goes into more detail, inherently governmental includes the act of governing, the authority to collect and spend public revenues, and entitlements from the Constitution of Virginia. The greater degree of discretion involved in performing an activity, the more likely it is inherently governmental.

The Council suggested that the statistics for the larger agencies (Corrections, Mental Health, Community Colleges, Transportation, etc.) would be more reflective if shown by the control or parent agency as opposed to the individual sub-agency. The members also expressed interest in what trends were available in the delivery of services. They felt that if there were historical data it would prove beneficial and would help compare Virginia to other states in how it delivers its services.

In accordance with the further provisions of the Competitive Government Act, the inventory is to be submitted once in each biennium and no later than October 1 of the second year.

The full report is attached and made a part of the minutes.

It was agreed that the inventory might help the Council to identify areas where money can be saved. Some ideas expressed included:

- steam generation, look at dollars spent
- actual cost public-private prison operations, how the state builds and operates prisons, projection on inmate population
- disparity in state business awarded to minority business vs. overall expenditures
- review the Council's "COMPETE" full cost accounting system and determine if it needed revision
- fleet management including high consumption of gas, price of fuel, look back at old data, Virginia Department of Transportation and local governments
- license operations, planning money, new computer systems, expand local constitutional officers role in issuing licenses, wait time unacceptable, each agency owning its own systems, one stop shopping rolled into one system
- any issues that could result in legislation during the upcoming session
- queue up issues that the Council could review, perhaps having a resolution(s) tasking the Competition Council to study a particular issue and report back on its findings and recommendations
- mental health delivery system such as the Williamsburg facility
- costs of PPEA vs. normal capital costs to include costs and timeframes (quicker through PPEA?)
- debt collection, determining if private collectors were more efficient, results of state vs. private collections
- equipment contracting

The Council asked for a report on the number of PPEA projects where proposals had been submitted, those acted on, and those where no action was taken.

The Council also asked that a listing of the email addresses of the Council be provided to the membership.

Some possible topics for the next meeting included:

- the commercial activities inventory might be a continuing agenda item. Some examples of the Council's interest involved what the cost is for a particular service, how to get a handle on the unit cost, what services the state is spending the most on and are the values of these services benefiting the constituents, and could the data be misinterpreted by the public.
- The chairman reminded the members that the Council's COMPETE program is a nationally recognized PC-based cost comparison program that permits state agencies and institutions to develop fully allocated costs (not only on the full cost of a particular service but the unit cost as well), to compare alternative business proposals, and to set benchmarks to measure contract performance. It was suggested that the program be demonstrated at a future meeting.

### **Capitol Gift Shop**

Mrs. Robertson advised the Council that she had been contacted by Ms. Alice Lynch, Executive Director of the Virginia Capitol Preservation Foundation, concerning the Competition Council proposed concept of the Capitol gift shop. Ms. Lynch and Mr. James Wootten, Executive Director of the Capitol Square Preservation Council, asked for a meeting with Mrs. Robertson to discuss the concept.

There being no further business, the meeting was adjourned. The next meeting is set for 10 a.m., Wednesday, January 4, 2006. Those members not present will be polled.

Emmett W. Hanger, Jr.  
Chairman